

## Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 ADP-00 EB-11 AID-20 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

CIEP-02 LAB-06 SIL-01 OMB-01 ABF-01 FS-01 CEA-02

STR-08 RSR-01 /123 W

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R 301200Z JUN 73

FM AMEMBASSY ROME

TO SECSTATE WASHDC 9589

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: EFIN IT

SUBJECT: ITALIAN REACTION TO DM DEVALUATION

SUMMARY: SINCE ITALIAN EXCHANGE MARKETS CLOSED FOR HOLIDAY  
JUNE 29, LITTLE REACTION APPARENT RE LIRE EXCHANGE RATE WHICH  
WILL CONTINUE TO FLOAT AGAINST ALL CURRENCIES. END SUMMARY.

1. ITALIAN EXCHANGE MARKETS CLOSED ON JUNE 29 FOR STS. PETER  
AND PAUL HOLIDAY. FRAGMENTARY INFO SUGGESTS LIRE STRENGTHENED  
SLIGHTLY AGAINST DOLLAR. CONNERCIAL RATE REPORTEDLY CLOSED  
LONDON AT 578 LIRE PER DOLLAR AND NEW YORK 576/579. THIS  
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COMPARES WITH AVERAGE RATE AT FIXING JUNE 28 OF 584.025 LIRE

PER DOLLAR. FINANCIAL RATE IN ZURICH REPORTEDLY 599/602 COMAPRED  
PREVIOUS DAY FIXING OF 608.50. LAME-DUCK TREASURY MINISTER  
MALAGODI INDICATED LIRE WOULD CONTINUE INDEPENDENT FLOAT.

2. ITALIAN PRESS STRESSES OBVIOUS EFFORT OF GERMAN AUTHORITIES  
KEEP EC "SNAKE" ALIVE AND SOME PAPERS SUGGEST REFIXING OF DM  
SHOULD REMOVE ONE CAUSE OF HESITANCY OF GOI TO REATTACH LIRE  
TO EC SNAKE. ON OTHER HAND, ONE PAPER ARGUES THAT CURRENCY  
WHICH IS REALLY OUT OF LINE VIS-A-VIS OTHER EC CURRENCIES IS  
DIM AND THAT IT MIGHT HAVE BEEN BETTER EARLIER THIS YEAR IF DM  
HAD BEEN SEPARATED FROM SNAKE, THUS PERMITTING BRITISH AND  
IRISH POUNDS AND LIRE TO HAVE JOINED SNAKE.

3. FAILURE OF EC FINANCE MINISTERS JUNE 28 TO AGREE ON  
EXPANSION OF EC FINANCING FACILITIES AND BEGINNING  
OF RESERVE POOLING MAY ENCOURAGE ITALIANS CONTINUE RESIST RETURN  
OF LIRE TO EC SNAKE. HOWEVER, SOME SOCIALIST PARTY SPOKESMEN  
CONTINUE FAVOR REATTACHMENT OF LIRE TO SNAKE, ALTHOUGH THEY DO  
NOT SPECIFY AT WHAT RATE THEY BELIEVE LIRE PARITY SHOULD BE  
FIXED VIS-A-VIS EC PARTNERS CURRENCIES. SINCE SOCIALISTS EXPECTED  
PARTICIPATE IN NEW CENTER-LEFT GOVERNMENT, THEIR VIEWS ARE OF  
SOME IMPORTANCE. HOWEVER, PENDING FORMATION OF NEW GOVERNMENT,  
DOUBT THAT ANY NEW DECISION WILL BE TAKEN RE LIRE. EVEN AFTER  
FORMATION OF NEW GOVERNMENT, WE FIND IT DIFFICULT TO BELIEVE  
THAT LIRE FLOAT WOULD BE ENDED IN NEAR FUTURE.

4. ITALINA TREASURY OFFICIALS DENIES REPORT IN ITALIAN  
PRESS OF SPECIAL MEETING OF EC MINISTERS OF FINANCE ON MONDAY,  
JULY 2. VOLPE

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**Subject:** ITALIAN REACTION TO DM DEVALUATION SUMMARY: SINCE ITALIAN EXCHANGE MARKETS CLOSED FOR HOLIDAY JUNE 29, LITTLE REACTION APPARENT RE LIRE EXCHANGE RATE WHICH WILL CONTINUE TO FLOAT AGAINST ALL CURRENCIES ITALIAN REACTION TO DM DEVALUATION SUMMARY: SINCE ITALIAN EXCHANGE MARKETS CLOSED FOR HOLIDAY JUNE 29, LITTLE REACTION APPARENT RE LIRE EXCHANGE RATE WHICH WILL CONTINUE TO FLOAT AGAINST ALL CURRENCIES. END SUMMARY  
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